



DEPARTMENT OF THE TREASURY  
ALCOHOL AND TOBACCO TAX AND TRADE BUREAU

***Information for  
Tax-free  
Alcohol  
Applicants***

**TTB**

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## **Tax-free Alcohol**

Tax-free alcohol is the substance known as ethyl alcohol or ethanol having a proof of 190 degrees or more when withdrawn from the bonded premises of a distilled spirits plant free of tax, including all subsequent dilutions and mixtures of ethyl alcohol. An industrial use permit is needed to procure or use tax-free alcohol.

This publication provides applicants with the information necessary to file an application for an industrial use permit to receive and use tax-free alcohol.

### **Users of Tax-free Alcohol**

Tax-free alcohol may be procured and used for authorized purposes only by:

- The United States
- State and local government agencies
- The District of Columbia
- Any scientific university or college of learning
- Any educational institution exempt from income tax under section 501(a) of the Internal Revenue Code
- Any laboratory for use exclusively in scientific research
- Any hospital, sanitarium, blood bank, or any pathological laboratory exclusively engaged in making analyses or tests for hospitals or sanitariums
- Any clinic operated for charity and not for profit

### **Uses of Tax-free Alcohol**

Tax-free alcohol may be used for scientific, medicinal and mechanical purposes, and in the treatment of patients. Some specific uses which fall under these general categories are: sterilizing solutions, antiseptics, compounding prescriptions, and preparation of specimens.

### **Prohibited Uses of Tax-free Alcohol**

- Tax-Free alcohol may not be withdrawn and used for beverage purposes, or in any food prod-

uct, or in any preparation used in preparing a beverage or a food product.

- Tax-Free alcohol may not be sold.
- Tax-Free alcohol may not be used in the manufacture of any product which will be sold or in any product resulting from the use of tax-free alcohol which will be sold --- Hospitals, sanitariums, or clinics may, however, make a separate charge for medicines compounded on the premises and dispensed to patients for use on the premises.
- Tax-Free alcohol may not be removed from the premises unless the removals are specifically authorized by the terms of the permit. This also applies to products resulting from the use of tax-free alcohol. However, products made through the use of tax-free alcohol which contain no alcohol may be removed to other premises for the sole purpose of further research. Also, medicines compounded by a clinic operated for charity and not for profit may be used off clinic premises for treatment of its patients if the medicine is not sold and no fee or other charge is made for furnishing the medicine to the patient.
- Tax-Free alcohol may not be given to doctors for use in their private practice by hospitals even though the doctor has an office in the hospital.

If you intend to use only small amounts of tax-free alcohol, consider purchasing taxpaid alcohol from a liquor dealer or using reagent alcohol, if possible. Reagent alcohol may be obtained from most laboratory supply houses. Taxpaid alcohol or reagent alcohol can be obtained without any type of permit.

If you obtain reagent alcohol in containers exceeding 4 liters, a letterhead application must be filed with the TTB Director, National Revenue Center or District Director (Investigations) Puerto Rico Operations.

### **TO APPLY FOR A PERMIT TO USE TAX-FREE ALCOHOL, SUBMIT:**

- TTB F 5150.22, Application for Industrial Alcohol User Permit
  - Supporting data listed under OTHER REQUIREMENTS, if applicable
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## Other Requirements

**Applicants who wish to obtain MORE THAN 1,500 proof gallons of tax-free alcohol per year must file the following:**

### Sole Owner ---

- Name and address of each person with an interest in the business (whether interest appears in his/her name or in the name of another person or business entity for him/her)

### Partnership ---

- Name and address of each person with an interest in the business (whether interest appears in his/her name or in the name of another person or business entity for him/her)
- Certified true copy of the articles of partnership or association, if any, or certificate of partnership or association where required to be filed by any State, county, or municipality

### Corporation ---

- Certified copy of **EITHER** the certificate of incorporation **OR** authorization to operate in the State where the premises are located, if other than the State of incorporation
- Certified list of names and addresses of all officers and directors
- Statement designating corporate officers responsible for tax-free alcohol activities
- Number of shares and par value of each class of stock, and the voting rights of each
- Names and addresses of persons owning 10% or more of each of the classes of stock, and the nature and amount of stockholding or interest of each
- List of titles of offices whose incumbents are responsible for tax-free alcohol activities and authorized by articles of incorporation, the bylaws or by the board of directors to act and sign on behalf of the applicant

**Signature Authority ---** When a person, other than the sole owner of a business, files any document with TTB, the applicant must provide evidence that the person who signed the document is authorized to do so.

Evidence of signature authority may be furnished by submitting:

- TTB F 5000.8, Power of Attorney, for each person who will have signature authority (the Form 5000.8 itself must be signed by a person who is authorized to do so)

OR, in lieu of TTB F 5000.8

- Partnership --- Certified copy of the partnership agreement delegating authority to sign
- Corporation --- TTB F 5100.1, Signing Authority for Corporate Officials, if signature authority is granted in the articles of incorporation, the bylaws, or granted by a resolution adopted by the board of directors (the wording must be specific in granting authority to sign applications and other documents required to be filed with TTB in connection with tax-free alcohol); or, other evidence that the corporation has given signature authority to an individual or to an office
- State, county or municipal agencies --- Copies of resolutions, excerpts from ordinances or charters, or a statement submitted by the head of the department, bureau, or commission, designating the name or official title of the person or persons authorized to sign

### Trade Names ---

- List of trade names under which operations will be conducted and the States where these names are registered

OR

- Statement that the State does not require registration or approval of trade or fictitious name

### Storage Facilities ---

- Sufficient capacity to hold maximum quantity on hand at any one time
  - Constructed and secured to prevent unauthorized access
  - Stationary storage tanks must be equipped with a means for accurately measuring the tax-free alcohol
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## Stills ---

- List all stills used for the recovery or redistillation of alcohol on TTB F 5150.22, Application for Industrial Alcohol User Permit

**Right of Entry and Examination ---** Under the law, TTB officers may enter your premises during regular business hours to inspect records and reports and take samples of tax-free alcohol in order to assure compliance with the law and regulations

## Special (Occupational) Tax ---

All applicants (except as indicated below) must file TTB Form 5630.5, Special Tax Registration and Return, and pay \$250 per year special (occupational) tax. The address where the return with tax payment must be filed is given on the return. A separate tax must be paid for each location for which a permit is required. For your first year in business, the tax is prorated on a monthly basis.

Special tax is not required for:

- Agencies and Instrumentalities of the United States Government.
- Educational institutions procuring less than 25 gallons of tax-free alcohol per calendar year exclusively for experimental or research use and not for consumption or sale.

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(H.R. 4520, the American Jobs Creation Act of 2004, repealed Special (Occupational) Tax for certain alcohol industries required to pay Special Tax. The Act reduced the tax liability to zero for three years, from July 1, 2005 until June 30, 2008. **The new legislation did not suspend the tax for Tax-free alcohol industry members.** If the legislation is amended, TTB will post the update on its website at <http://www.ttb.gov/>.)  
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## Approved Applications

When your application is approved, you will receive:

- An industrial alcohol user permit designating the activities permitted and the limitations imposed, if any. You may make copies of your permit to show suppliers that you are eligible to withdraw tax-free alcohol. Each copy must be marked with the word "copy," manually signed, and dated with the date of your signature. When you are not using your permit

to make copies, it must be kept posted, available for inspection on the premises covered by the permit.

- A copy of your application and supporting data which, along with all records, must be kept readily available for inspection by TTB officers.

## References

Regulations for the receipt and use of tax-free alcohol are found in 27 CFR Part 22. Copies of the Code of Federal Regulations (CFR) are for sale online at <http://bookstore.gpo.gov/index.html> or by writing the Superintendent of Documents, P.O. Box 371954, Pittsburgh, PA 15250-7954.

You may also access these regulations and related laws at <http://www.ttb.gov/rulesandregulations.htm>.

## FOR FURTHER INFORMATION:

If your operations are located in the continental U.S., please mail your application and related documents to:

**Alcohol and Tobacco Tax and Trade Bureau  
Director, National Revenue Center  
550 Main St, Ste 8002  
Cincinnati, OH 45202-5215  
Toll Free 1-877-TTB-FAQS (1-877-882-3277)  
(513)-684-3334  
Email: [ttbtaxfree@ttb.treas.gov](mailto:ttbtaxfree@ttb.treas.gov)**

If your operations are located in Puerto Rico or Virgin Islands, please mail your application and related documents to:

**Alcohol and Tobacco Tax and Trade Bureau  
District Director (Investigations), Puerto Rico  
Operations  
Ste 310, Torre Chardon  
350 Carlos Chardon Ave  
San Juan, PR 00918-2124  
Telephone: 787-766-5584  
Fax: 787-766-6426**